UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

istr.
GENERAL

DP/CCF/ARM/1
9 July 19 7

ORIGINAL: ENGLISH

Third regular session 1997
15-19 September 1997, New York
Item 6 of the provisional agenda
U DP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELAT D MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR ARMENIA (1997-1 99)

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INTRODUCTION

1. A United Nations presence was established in Armenia in 1992 to respond to the ongoing humanitarian emergency, through the opening in Yerevan of an Office of the United Nations High Commissioner for Refugees (UNHCR) and an office for the United Nations Department of Public Information. This was followed by the opening of UNDP, United Nations Children's Fund (UNICEF), and World Food Programme (WFP) offices in 1993, and United Nations Department of Humanitarian Affairs, World Health Organization (WHO) and International Organization for Migration offices in 1994, all of which have shared common premises since 1995.

2. The first country cooperation framework (CCF) for Armenia constitutes the basis for UNDP cooperation with the Government for the period 1997-1999, taking into account the UNDP mandate and operational capacities, the results and lessons of the experience of the first years of UNDP and United Nations system cooperation in the country, as well as discussions with representatives of United Nations agencies and the donor community.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. Armenia is a landlocked country of 28,900 square kilometres, with a population of 3.7 million. It declared independence from the Union of Soviet Socialist Republics in September 1991 and ratified a new Constitution in July 1995. Of all the former Soviet republics, Armenia has probably been the hardest hit by both natural and man-made disasters. Firstly, in 1988, the country was struck by a devastating earthquake that killed 25,000 people, destroyed a large number of houses and public buildings and left about half a million people homeless. Secondly, Armenia has suffered greatly as a result of a costly five-year war with Azerbaijan over the enclave of Nagorno-Karabakh, resulting in an influx of some 300,000 refugees in three waves from Sumgait (1988), Kirovabad (1989) and Baku (1990). All of the 360,000 Armenians formerly living in Azerbaijan, excluding those in Nagorno-Karabakh, left the country, either for Armenia or other countries. The number of refugees in Armenia has now declined to an estimated 220,000, the majority of whom are ethnic Armenians from Azerbaijan and other conflict areas of the Caucasus. All of them have been granted Armenian citizenship. This period was also marked by substantial emigration of more than half a million people (nearly one in seven of the population) from 1991 to 1995, including a large proportion of highly educated Armenians, thus contributing to significant brain-drain. A ceasefire has been in effect since July 1994, but a formal peace agreement has not yet been signed. Thirdly, Armenia has suffered from isolation due to a blockade of land trade routes through Azerbaijan and Turkey, and transport through Georgia to the Russian Federation has been impeded by the closure of the rail link due to civil unrest in Georgia. Fourthly, energy shortages due to the blockade were particularly severe during the crisis years 1992-1994. As a result, Armenia has had to depend to a large extent on humanitarian aid since its independence, and currently relies on external funding for 90 per cent of its public investment programme.

4. In addition to the above, the central planning system of the former Soviet Union has resulted in, among other things, an economic structure that is significantly out of line with the comparative advantages of the country and a heavy dependence on imported energy, raw materials and external markets. The process of restructuring has been hampered severely, first by the after-effects of the earthquake of 1988 and subsequently by the political and economic disruption that followed the break-up of the Soviet Union. Nevertheless, Armenia has retained its strong cultural identity, traditions and language, solidarity with the Armenian diaspora abroad, and pride in its past history as well as the contribution of Armenians throughout the world in public life, business and culture.

5. A programme of economic reform was instituted in 1994. The International Monetary Fund and the World Bank have each provided structural adjustment support, which has contributed to reversing past trends. Gross domestic product (GDP) began to grow in 1994. Nevertheless, many industries are working at only 10 to 20 per cent of their capacities. The official estimate of unemployment in 1997 has risen to 11.5 per cent of the active working population, with hidden unemployment much higher. GDP per capita is estimated at about $365 (1994), with 87 per cent of the population having incomes of less than $55 per month. A major feature of current development is that the country is in transition from a situation of disaster, requiring a high level of dependence on humanitarian aid and emergency relief, to one of economic consolidation, requiring longer-term support to promote sustainable growth.

6. With respect to poverty, according to 1994 estimates, 28 per cent of the population had incomes below 40 per cent of average household expenditures and thus were classified as either poor or very poor. The number of people living in poverty has increased sharply since independence. The most vulnerable people - single and/or disabled pensioners, orphans, institutionalized children and elderly people, expectant and nursing mothers and destitute people needing regular social assistance - are identified through a government-operated vulnerability assessment system. They make up 12.5 per cent of the population (400,000 people) and can be considered to be living in extreme poverty. Pensioners and others living on fixed incomes account for 40 per cent of the country's population. The main coping mechanisms have been emigration, humanitarian aid and a high level of social solidarity, including remittances from the Armenian diaspora. Elements of a poverty alleviation strategy have been identified in the World Bank's poverty assessment of Armenia as well as in Armenia's national human development report.

7. The situation of women has worsened substantially, owing to loss of employment and the difficulty of maintaining families in times of economic hardship, as well as to declining services in the social sector, such as in health and education. Average women's salaries are one third less than men's. Furthermore, their role in public life, particularly in senior positions, has also been diminished, as it has been in other countries of the former Soviet Union. Of the officially registered unemployed in 1995, 64 per cent were women and 20 per cent had completed some form of higher education.

8. With respect to the environment, the loss of forest cover due to the energy crisis in the period 1992-1994 has been serious. Earthquake damage in affected

urban areas still remains largely unrepaired. Another major environmental concern is Lake Sevan, which is registered in the Directory of Wetlands of International Importance of the Ramsar Convention on Wetlands of International Importance. The largest freshwater alpine lake in Europe and Asia, Lake Sevan occupies one fifth of the territory of Armenia. While the Government has succeeded in finding ways to prevent a dangerous drop in the water level, the lake is still fragile due to excessive use of its resources for irrigation and hydro-energy.

9. In the area of governance, Armenia has made substantial progress in establishing democratic mechanisms, promoting the non-governmental sector, and strengthening the newly created regional extensions of the Government and community councils. But the reform of public administration and its restructuring to correspond to the demands of a market economy is still under way.

II. RESULTS AND LESSONS OF PAST COOPERATION

10. Since 1993, UNDP has responded to a wide variety of demands from individual ministries. It has cooperated with the Government in a number of areas, including programme and project formulation, statistics, development planning, management of the environment and institution-building. UNDP has also helped to strengthen the capacities of the Ministry of Foreign Affairs and the Ministry of Economy.

11. Through its initial activities, UNDP has succeeded in establishing good relations with the Government. Future cooperation should be sharpened by the focus on the three thematic areas chosen for the CCF (see chap. III below), with the programme approach being introduced gradually. Past experience also shows that future UNDP cooperation would be greatly strengthened if a number of general principles were followed, such as: (a) the establishment of more formal linkages with the Government's economic reform and public investment programmes; (b) increased focus on areas in which Armenia's comparative advantages should be strengthened, for example, in the use of its intellectual and knowledge resources; and (c) strengthened inter-agency coordination and the promotion of stronger linkages in the design and implementation of United Nations system programmes and other donor assistance.

III. PROPOSED STRATEGY AND THEMATIC AREAS

12. The 1996 national human development report identified the need and the potential for a poverty alleviation programme that would focus on social resource mobilization, the development of partnerships, and the decentralization of the implementation process, through broader involvement of local implementing agents, for example, local and regional authorities, non-governmental organizations (NGOs) and other public groups.

13. The first CCF will focus on implementing poverty alleviation measures, through support for: (a) governance and development management at the national, regional and local levels; (b) sustainable livelihoods in selected areas,

including strengthening of the social sectors; and (c) environmental issues, in the context of sustainable development and poverty alleviation.

14. Particular attention will be given to identifying impact indicators at the design stage of national programmes and projects, so as to facilitate monitoring and evaluation.

15. Linkages with the World Bank are foreseen, in relation to the Bank's loans for institution-building, earthquake rehabilitation and social investment, and urban and municipal development, support to follow-up on its poverty assessment, and grants for the preparation of an action plan to restore Lake Sevan as well as a National Environmental Action Plan (NEAP).

16. In light of the above, and taking into consideration observations in the first two national human development reports and discussions with the Government and donors, UNDP will concentrate its future cooperation in the three main thematic areas outlined below.

A. Governance and development management

17. The country no longer faces the severe economic and social problems that once confronted it, and the emergency situation that affected the majority of the population has, on the whole, been alleviated. Although short-term humanitarian issues still remain to be addressed, a qualitative shift is being made towards development cooperation.

18. Democracy, governance and participation. In order to strengthen overall management and expedite decision-making, support will be provided for modernization of the State for the administration of democratic governance, through capacity-building and linking the information management systems of: (a) the Presidency/Prime Minister's office; (b) the Ministry of Foreign Affairs; (c) the National Assembly, and the Supreme Auditing Institution under it; and (d) regional and municipal administrations. The recently established UNDP-supported National Information Infrastructure for Sustainable Development (an Internet project) will be used to support the development of the emerging national information management infrastructure, thereby enhancing information and management capacities nationwide. In addition, the Internet project will facilitate the consolidation of existing networking projects in a coordinated and sustained national effort, and raise awareness, build capacity and afford opportunities for education, by providing access to the information resources on the UNDP Sustainable Development Network and the Internet, constituting part of a broader information management strategy to bring together information sources and distribute information to civil society. Impact in this area will be measured in terms of faster processing of information and better informed decision-making, due to access to Internet information bases.

19. Support for a sustainable human development advocacy programme. Future national human development reports will provide information for government officials, policy makers and civil society on the application of an SHD strategy in the Armenian context. In addition, UNDP will support the establishment of a National Commission on Sustainable Human Development, as an advocacy tool. UNDP

support is also envisaged for the preparation, if necessary, of a poverty alleviation strategy, under its Poverty Strategy Initiative, and for the preparation of the 1999 demographic and housing census, for which United Nations Population Fund (UNFPA) support is also foreseen. Support for government follow-up on the major United Nations conferences will continue and be strengthened, while advocacy will be enhanced for the formulation and implementation of country-specific action plans. The 20/20 initiative will be further elaborated at the country level, in order to provide an advocacy tool for the development of a national poverty alleviation programme. The impact of the support outlined above will be measured in terms of the implementation of socially-oriented policies that take into consideration human development concerns and recommendations from global conferences.

20. Capacity-building for urban management. UNDP will support the Ministry of Urban Development (with eventual cost-sharing from the Government of Spain) in the introduction of a land registration system for the province of Kotyak, as a pilot project for other provinces, so as to better regulate and facilitate private investment and construction. Impact will be measured by the greater ease with which land transactions are completed and better organized planning for urban industrial and housing development.

B. Sustainable livelihoods and strengthening of the social sectors

21. Support for area development. Through a programme of integrated support for SHD, UNDP has been assisting the Government in establishing a framework for promoting an SHD strategy at regional and community levels. The programme will be implemented in regions that suffered most from multiple crises, such as the 1988 earthquake, the conflict with Azerbaijan, and socio-economic and political disruptions caused by the collapse of the former Soviet Union. The programme will focus on: (a) the establishment of sound governance at the regional level and the promotion of sustainable livelihoods, through employment-generating activities in selected urban and rural areas; (b) the rehabilitation of social infrastructure; (c) social and environmental rehabilitation; and (d) the promotion of gender equity. It is planned that UNDP will support the programme from a number of funding sources, including from resources from target for resource assignment from the core (TRAC) line 1.1.3, by strengthening management and training capacities at the regional and community levels to implement area-based SHD strategies. Close links will be developed with the Social Investment Fund and the World Bank, the White Helmets Initiative of Argentina for the provision of short-term volunteers, the United States Agency for International Development and other donors interested in supporting components of the programme, including United Nations system agencies such as UNHCR, WFP, UNICEF, the International Telecommunication Union and UNFPA. Results envisaged include the creation of 2,500 new jobs and the training of 3,000 people in the 30 urban and rural communities that will benefit from the programme.

22. Investment promotion and employment generation. Working closely with donors, UNDP will provide support in the following areas: (a) the formulation of an investment promotion programme; (b) the development of micro- and small-scale enterprises and the establishment of business training and advisory

centres or shelters at regional and municipal levels, with special attention to women entrepreneurs, internally displaced persons (IDPs) and returnees; (c) export promotion of high-technology products, through the establishment of a high-tech industrial park; (d) the provision of business information and technology services for small- and medium-scale enterprises; and (e) tourism development, by raising awareness about Armenia's rich cultural heritage, to provide a basis for promoting tourism and stimulating employment in tourism-related areas. With regard to tourism development, UNDP will carry out a study to review possibilities and make proposals. Support may be provided for a tourism promotion effort in connection with the celebration of 1,700 years of Christianity in Armenia. The above-mentioned interventions are designed to result in the establishment of some 500 new businesses and an estimated 5,000 jobs for skilled workers.

23. The improvement of access to and quality of social services is an essential component of SHD, to which the World Bank and many United Nations agencies contribute, for example, UNICEF, WHO, UNFPA, the Joint United Nations Programme on HIV/AIDS (UNAIDS) and UNDP. In order to complement the above-mentioned interventions, which are designed to strengthen productive capacity and infrastructure, selected social sectors will be strengthened, such as education, health and social welfare, and national authorities will be assisted in the area of disaster preparedness.

24. Support for the education sector. Particular attention will be paid to supporting educational reforms, in close collaboration with activities resulting from the World Bank loan to the education sector, by providing support for: (a) the publication of new textbooks, in cooperation with UNICEF, UNHCR, the United Nations Educational, Scientific and Cultural Organization, and other bilateral donors; (b) special education for the disabled, in a joint initiative with UNICEF; (c) training in school management; and (d) the provision of legal advice on decentralized school management. Close collaboration with the World Bank is envisaged, possibly through cost-sharing from its loan to the education sector. It is expected that activities in this area will result in strengthened management of education, the increased availability of textbooks adapted to Armenian needs, and more opportunities for disabled students.

25. Support for a gender-in-development programme. Assistance is envisaged in implementing the National Plan of Action prepared as a follow-up to the Fourth World Conference on Women, and for mainstreaming gender issues in each of the thematic areas of the CCF. The impact of interventions will be viewed in terms of the implementation of measures, including legislation, that provide more opportunities for women in terms of education, employment, government representation, and access to services.

C. Environmental management and sustainable development

26. A number of government initiatives are under way in this thematic area, including with funding from other organizations of the United Nations system and the Global Environment Facility (GEF). In addition, the World Bank is assisting the Government in the preparation of a National Environmental Action Plan (NEAP) and an action plan to restore Lake Sevan. UNDP support will complement

interventions already initiated by the World Bank, as well as the implementation of projects of other United Nations agencies, such as the sizeable programme of about 20 projects being assisted by the International Atomic Energy Agency, and support for the implementation of international conventions on: (a) climate change (GEF), through the preparation of a national strategy on the mitigation and monitoring of greenhouse gas emissions; (b) biodiversity (GEF), by promoting enabling activities to prepare a biodiversity conservation strategy for Armenia; and (c) combating desertification.

27. Support from UNDP is also foreseen for:

(a) Environmental management, to strengthen the management structure of the Ministry of Environment and to promote appropriate monitoring and control mechanisms and environmental education;

(b) The Lake Sevan Restoration Programme, to raise awareness about the resources needed to follow up on the October 1996 Conference on Lake Sevan, which was sponsored jointly by UNDP, the World Bank and the Government of France. Under a World Bank grant, the action plan being prepared for the restoration of Lake Sevan is being designed to increase donor interest and to mobilize additional resources to restore the level and ecosystem of the lake. It will be reviewed at a donors' conference, to be sponsored by UNDP. Intensive preparatory work is necessary to draw donors' attention to the problems of Lake Sevan, a unique reservoir of fresh water in the region, and for the formulation of projects for consideration during the conference;

(c) The Forestry Sector Development Programme, through follow-up to a Food and Agriculture Organization of the United Nations Technical Cooperation Programme study on the forestry sector, which will strengthen the capacity of the Ministry of Environmental Protection to design and implement a Forestry Sector Development Programme to help restore the forest cover recently damaged by excessive demand for fuel wood, as a result of the ongoing energy shortages.

28. It is envisaged that the impact of the above-mentioned interventions will be manifested in terms of the strengthened capacity of government environmental institutions to enforce guidelines, as well as increased resources and greater capacity to address environmental issues, such as those related to Lake Sevan, and reforestation.

IV. MANAGEMENT ARRANGEMENTS

29. Execution and implementation. National execution will continue to be the principal modality for executing UNDP-supported projects in Armenia, although, with support for policy and programme development (SPPD)/support for technical services (STS) funds, the services of United Nations agencies will be used as necessary for programme and project formulation, supervision and monitoring. Partnership with the Economic Commission for Europe will be established under the framework of regional projects on human development and social statistics, (particularly for the pilot census with UNFPA), economic analysis, and the implementation of international conventions, and with the Economic and Social Commission for Asia and the Pacific in the area of technical support for social

development. Further training on the administrative modalities for national execution is envisaged. Linkages between UNDP regional projects will be encouraged. The technical cooperation among developing countries (TCDC) and Transfer of Knowledge through Expatriate Nationals (TOKTEN) modalities may be used where appropriate.

30. Monitoring, review and reporting. All projects will be subject to standard UNDP monitoring, evaluation and auditing procedures, including progress and technical reports, meetings and visits. Projects will be reviewed to ensure that the goals and objectives are clear and results-oriented. Benchmarks and success criteria will be identified for each national programme and project, to facilitate the monitoring and evaluation of impact.

31. Resource mobilization. UNDP core resources of close to $7 million will be used to mobilize significant additional resources in support of national programme objectives. Tentative cost-sharing targets are shown in the resource mobilization target table (see annex), but it is hoped that UNDP core resources will be more than matched by Government and third-party cost-sharing contributions. These would be complemented by future funding from sustainable development funds (GEF, Capacity 21), and other funds (Poverty Strategy Initiative, UNAIDS, United Nations International Drug Control Programme (UNDCP), etc.). UNDP intends to fully utilize all available resource mobilization mechanisms. With respect to Government cost-sharing, this may be provided through project cost-sharing and the use of grants and loans, particularly from the World Bank and the European Union.

32. Public information and media strategy. Building constituencies and public awareness, including among government officials, parliamentarians, NGOs, journalists, women's organizations, community groups and public personalities, will feature among the priority activities of the first CCF. Areas of focus will relate to poverty alleviation, job creation, sustainable livelihoods, the advancement of women, governance and democracy, environmental protection and the observation of United Nations days. UNDP and the United Nations Department of Public Information will develop innovative and productive ways to reach out to the public with the evolving message of the United Nations.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR ARMENIA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	515	
TRAC 1.1.1	3 070	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	3 000	For rehabilitation and reconstruction projects (to be confirmed).
Other resources	120	TSS-1 (65), SPR (55) for PSI
SPPD/STS	270	
Subtotal	6 975[a]	
NON-CORE FUNDS		
Government cost-sharing	600	
Sustainable development funds	320	Global Environment Facility
Third-party cost-sharing	4 050	
Funds, trust funds and other of which: Poverty Strategy Initiative UNAIDS	130 30 100	
Subtotal	5 100	
GRAND TOTAL	12 075[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; PSI = Poverty Strategy Initiative; SPPD = support for policy and programme development; SPR = Special Programme Resources; STS = support for technical services; TRAC = target for resource assignment from the core; TSS = technical support services; UNAIDS = Joint United Nations Programme on HIV/AIDS.